

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-01 H-01 INR-05 INT-05 L-02 LAB-04

NSAE-00 NSC-05 PA-01 RSC-01 AID-05 CIEP-01 SS-15

STR-01 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

SWF-01 /080 W

----- 113774

R 062300Z DEC 74

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 8770

INFO AMEMBASSY BOGOTA

AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY TEGUCIGALPA

AMCONSUL GUAYAQUIL

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E.O. 11652: N/A

TAGS: ETRD, CS

SUBJECT: STATUS OF BANANA NEGOTIATIONS

1. IN VIEW OF INDICATIONS FROM BANANA COMPANIES
THAT NEGOTIATIONS ON THE BANANA TAX QUESTION ARE AT
A STANDSTILL (REFTEL CARACAS 4491), THE EMBASSY THOUGHT
IT ADVISABLE TO SOUND OUT THE GOVERNMENT SIDE. AN
APPOINTMENT THAT HAD BEEN ARRANGED WITH THE COSTA
RICAN GOVERNMENT'S PRINCIPAL NEGOTIATOR, FINANCE MINISTER
MOREARA FELL THROUGH BECAUSE OF MORERA'S SUDDEN DEPARTURE
FOR CARACAS SO THE CHARGE AND THE ECONOMIC OFFICER CALLED
DECEMBER 6 ON RODOLFO E. QUIROS GUARDIA A HIGH LEVEL
ADVISOR WHO IS REPRESENTING THE OFFICE OF THE PRESIDENCY
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IN THE NEGOTIATIONS.

2. QUIROS CONFIRMED THAT THE GOVERNMENT HAD BEEN TAKEN ABACK BY THE NEGATIVE REACTIONS OF THE BANANA COMPANIES TO THE GOVERNMENT'S PROPOSALS (REFTEL, BUT HE IS NOW OPTIMISTIC THAT A SETTLEMENT WILL BE REACHED. THE GOVERNMENT HAS CONCLUDED THAT IT IS NOT POSSIBLE TO REACH AN AGREEMENT BY NEGOTIATING SIMULTANEOUSLY WITH ALL OF THE COMPANIES, EACH OF WHICH HAS DIFFERENCES IN APPROACH, IN METHOD OF PRODUCTION, IN COST STRUCTURE, AND IN INTERESTS. THEREFORE, THE GOVERNMENT IS RESUMING NEGOTIATIONS WITH UNITED BRANDS (WHOSE CONTRACT HERE IS THE BASIC ONE THAT GOVERNS THE OPERATING CONDITIONS FOR THE INDUSTRY) AND, AFTER REACHING AN AGREEMENT WITH UNITED, IT WILL NEGOTIATE WITH THE OTHER COMPANIES. QUIROS RECOGNIZES THAT UNITED REFUSES TO BE THE SPOKESMAN FOR THE INDUSTRY, AND AT THE SAME TIME HE BELIEVES THAT NO DEAL PROPOSED BY THE GOVERNMENT WOULD MAKE ALL OF THE COMPANIES HAPPY; THEREFORE THE GOVERNMENT WILL PROBABLY SETTLE ON A DEAL THAT IS ACCEPTABLE TO UNITED AND TO MOST OF THE OTHER COMPANIES. THERE CAN BE VARIATIONS IN THE FINAL CONTRACTS TO ACCOMODATE DIFFERENT OPERATING CONDITIONS BUT ALL OF THE DEALS WILL HAVE TO BE GENERALLY COMPARABLE IN THE SENSE OF BEING NON-DISCRIMINATORY, A REQUIREMENT OF COSTA RICAN LAW.

3. REGARDING THE EXPORT PRICES (PRECIOS DE SALIDA) QUIROS MADE IT CLEAR THAT THESE WOULD APPLY BOTH TO COMPANY-PRODUCED BANANAS AND TO BANANAS PURCHASED FROM INDEPENDENTS. IN THE LATTER CASE, THE PRECIO DE SALIDA WOULD REGULATE THE PRICE RECEIVED BY THE

INDEPENDENT GROWER, WHEREAS IN THE CASE OF BANANAS GROWN BY THE COMPANIES ON THEIR OWN PLANTATIONS ZGE PRECIO DE SALIDA WOULD ONLY AFFECT THE AMOUNT OF FOREIGN EXCHANGE THAT THE COMPANIES ARE OBLIGED TO BRING INTO THE COUNTRY AS PROCEEDS OF SALES. CURRENTLY THIS AMOUNT IS ONLY \$1.54 PER BOX.

4. AS FOR THE LEVEL OF THE PRECIO DE SALIDA, THE LIMITED OFFICIAL USE

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GOVERNMENT IS WEIGHING THREE OPTIONS: 1) A FIXED PRECIO DE SALIDA THAT WOULD APPLY EQUALLY TO ALL BANANAS EXPORTED; 2) A TWO LEVEL SYSTEM IN WHICH THE PRECIO DE SALIDA FOR BANANAS PRODUCED BY "NATIONAL GROWERS" WOULD BE HIGHER THAN THAT FOR BANANAS PRODUCED BY THE COMPANIES (BASED ON THE IDEA THAT THE INDIVIDUAL GROWERS HAVE HIGHER COSTS); AND 3) A TWO LEVEL SYSTEM WITH VARIABLE LEVIES PRESUMABLY TIED IN SOMEWAY TO

THE MARKT OF BANANAS. QUIROS PREFERS THE THIRD OPTION.

5. COMMENT: PROBABLY THE MOST SIGNIFICANT FEATURE OF THE DISCUSSION WITH QUIROS WAS HIS CALM APPROACH TO THE BANANA NEGOTIATIONS. HIS ATTITUDE SUGGESTS THAT THE GOVERNMENT HAS OVERCOME WHATEVER INITIAL RESENTMENT IF FELT WHEN THE BANANA COMPANIES RESPONDED NEGATIVELY WHEN REQUESTED TO PRESENT FORMAL VIEWS ON PROPOSALS THAT THE GOVERNMENT CONSIDERED TO BE THE FRUIT OF A PROTRACTED NEGOTIATION WITH THE COMPANIES. RATHER THAN LASH OUT PUBLICALLY AGAINST THE COMPANIES, OR ATTEMPT TO MOVE UNILATERALPLGTO IMPOSE A SOLUTION, THE GOVERNMENT APPEARS TO HAVE DECIDED TO CONTINUE TO NEGOTIATE. QUIROS SAYS THEY HOPE TO REACH AGREEMENT BEFORE THE END OF THE YEAR.

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